

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)	
)	DOCKET FILE COPY ORIGINAL
Local Exchange Carriers' Rates,)	
Terms and Conditions for)	
Expanded Interconnection Through)	CC Docket No. 94-97, Phase 1
Virtual Collocation for Special Access)	
and Switched Transport)	
)	

REBUTTAL OF GTE

GTE Service Corporation ("GTE"), on behalf of its affiliated GTE Telephone Operating Companies ("the GTOCs") and the GTE System Telephone Companies ("the GSTCs")(collectively "GTE"), hereby submits this Rebuttal to the Oppositions and Comments to its Direct Case filed in response to the Order Designating Issues for Investigation ("Designation Order")¹ regarding Virtual Expanded Interconnection Service ("VEIS").

I. GTE has not tarified any nondedicated virtual EIS rate elements.

Time Warner suggests (at 8) that GTE failed to identify its nondedicated rate elements. However, GTE stated in its Direct Case that it has not tarified any

¹ *In the Matter of GTE Telephone Companies Rates, Terms and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport*, CC Docket No. 94-97 Phase I, D.A. 95-374, released Feb. 28, 1995.

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List A B C D E

nondedicated virtual EIS rate elements. All virtual EIS rates are dedicated to providing this service.

The Bureau considers a rate element to be nondedicated "if it potentially may be used with either DS1 or DS3 level cross-connects."² As stated in footnote 49 of the Designation Order, "a rate element is dedicated to DS1 or DS3 services if interconnectors would only purchase that element to provide services to customers at the DS1 or DS3 level, respectively."³

In order for an interconnector to establish virtual collocation from GTE, the interconnector must construct a facility (fiber or microwave) to the GTE location and must purchase termination equipment to be installed at the GTE location. From the tariff, the interconnector would purchase the non-recurring rate elements for GTE to pull cable (Cable Pull), engineer and install equipment (Engineering/Installation Fee per base module and Engineering/Installation Fee per card installed) and to provide power (Power Equipment Installation). On a monthly recurring basis the interconnector would purchase the power equipment charge (Power Equipment), maintenance for the termination equipment (Maintenance per terminal) and space for which the cable occupies (Cable Space). Each of these elements is required whether the interconnector intends to purchase DS1 or DS3 virtual collocation services.

² Designation Order at ¶21.

³ *Id.* at ¶20, n. 49.

Once the virtual collocation arrangement is established through these elements, the interconnector may purchase either DS1 or DS3 special or switched cross-connects to connect to the LEC network. However, each of these elements is only used with regard to the provision of DS1 or DS3 virtual collocation services.

Therefore, based upon the definitions of dedicated and nondedicated, GTE states again that that it has not tariffed any nondedicated virtual EIS rate element. GTE considers its virtual collocation rate elements as dedicated.

II. GTE's riser space rate levels and methodology are appropriate.

Time Warner (at 31) argues that GTE's riser space rates are based on unreasonable cost levels and asks the Commission to require a full explanation of the basis for the reported costs.

GTE's cable space rate is a monthly recurring charge which recovers the cost of the space occupied by the customer's cable. The Cable Space investment includes the costs for manhole, conduit and cable vault. This rate element is comprised of an allocation of cost for core drilling the manhole, core drilling the central office, trenching, subduct placing, concrete work and restoration along with an allocation of costs of the cable vault. This rate element is charged based on a per 12 fiber cable with a rate established for each central office tariffed. GTE's methodology and rate levels are appropriate and have been provided to the FCC for review.

III. GTE has used the appropriate annual charge factors.

Time Warner (at 21) attempts to discredit the annual charge factor ("ACF") used by GTE for the Virtual EIS rate elements by evaluating the power equipment rate element maintenance ACF. However, Time Warner's analysis fails to recognize that power equipment is included in a different investment account than DS1 and DS3 services. The maintenance ACF for power equipment is based on the COE digital switch maintenance factor since power equipment is generally considered part of the central office equipment. DS1 and DS3 services use the circuit equipment maintenance ACF.

In establishing the VEIS rate elements, GTE used the circuit equipment maintenance ACF for the Maintenance Fee - Alarm Network, DS1 cross-connect, and DS3 cross-connect. GTE only used the central office maintenance ACF for the power equipment VEIS element.⁴ GTE's maintenance ACF factor application is consistent based on the appropriate investment account, (*i.e.* Central Office Equipment vs. Circuit Equipment). Accordingly, GTE believes it used the appropriate ACFs in developing its VEIS rate elements.

⁴ It should be noted that GTE inadvertently displayed the same maintenance ACF in all the boxes on its attachments for VEIS rate elements. However, by looking at the column labeled Percent Investment on each VEIS worksheet, the maintenance ACF used in the actual rate development is shown correctly.

IV. DS1 and DS3 services are comparable to VEIS and have comparable overhead loadings.

GTE maintained in its Direct Case that the overhead loadings assigned to Virtual EIS rate elements do not differ from those assigned to comparable services. Time Warner notes that GTE agrees with the Commission that generally speaking, DS1 and DS3 services are similar in nature to Virtual EIS. Nonetheless, Time Warner (at 12) incorrectly assumes that by having different overhead loadings as GTE discussed in its Direct Case, GTE is implying that overhead loadings for LEC services should be lower than Virtual EIS.

In its Direct Case, GTE provided two attachments, G-PWEQ-OVH and C-PWEQ-OVH, providing the direct costs and the proposed tariffed rate for the power equipment rate element. GTE also calculated the overhead amount and the overhead loading percent for VEIS power equipment rate element to use as a comparison to GTE's other DS1 and DS3 services, which are shown on attachments G-DS1-OVH, G-DS3-OVH, C-DS1-OVH and C-DS3-OVH. These exhibits show that the resulting overhead loading for power equipment is lower than another GTE service with the lowest overhead loading.⁵

In assessing the reasonableness of current overhead loadings for comparable DS1 and DS3 services to VEIS, GTE asserts that current overhead loadings should be compared to DS1 and DS3 services of new services or

⁵ Time Warner completely ignored this rate element in its discussion and instead focused on GTE's maintenance rate element which has a different overhead loading factor that is more comparable to GTE's other services.

services recently introduced, not services justified years ago. At the time a service is introduced, LECs are required to provide detailed cost support to justify the reasonableness of the proposed tariffed rates. Once the rate goes into effect, and is subsequently subjected to price cap adjustments, the rate can, and often must, vary from the original rate filed.⁶ It is reasonable, therefore, to compare VEIS loadings with the loadings of recently-filed DS1 and DS3 services.

GTE provided a summary of the individual rate elements that comprise a DS1 and DS3 circuit in its Direct Case to permit comparisons to VEIS rates. The detailed workpapers by state provide the individual rate elements and the information necessary to calculate the overhead percentage by rate element. GTE does not believe it was necessary to duplicate this information on a summary schedule.

With respect to providing unit investment components, GTE provided investment categories in its Direct Case as follows:

VEIS rate elements

- Power Equipment - Cable, Power Supply, Floor Space and DC Power
- Maintenance Fee - Circuit Equipment
- Cross Connects - Circuit Equipment
- Cable Space - Conduit, Vault

⁶ In fact, the Commission recently assured further movement from cost by lowering the current PCI and increasing the productivity factor for price cap LECs. *See Price Cap Performance Review for Local Exchange Carriers*, First Report and Order, CC Docket No. 94-1, FCC 95-132, released April 7, 1995.

LEC provided DS1 and DS3 services

DS1 Service - Circuit Equipment, Outside Plant Equipment

DS3 Service - Circuit Equipment, Outside Plant Equipment

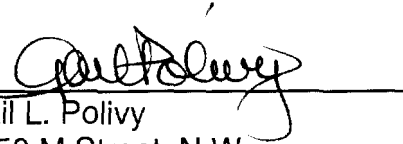
GTE does not specifically include land investments in its cost studies unless the cost can be directly assigned to a particular service.

GTE submits it that it has shown in its Direct Case and this Rebuttal that its VEIS overhead loadings are just and reasonable.

Respectfully submitted,

GTE Service Corporation, on behalf of
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Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "Rebuttal of GTE" have been mailed by first class United States mail, postage prepaid, on the 11th day of April, 1995 to all parties on the attached list.


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